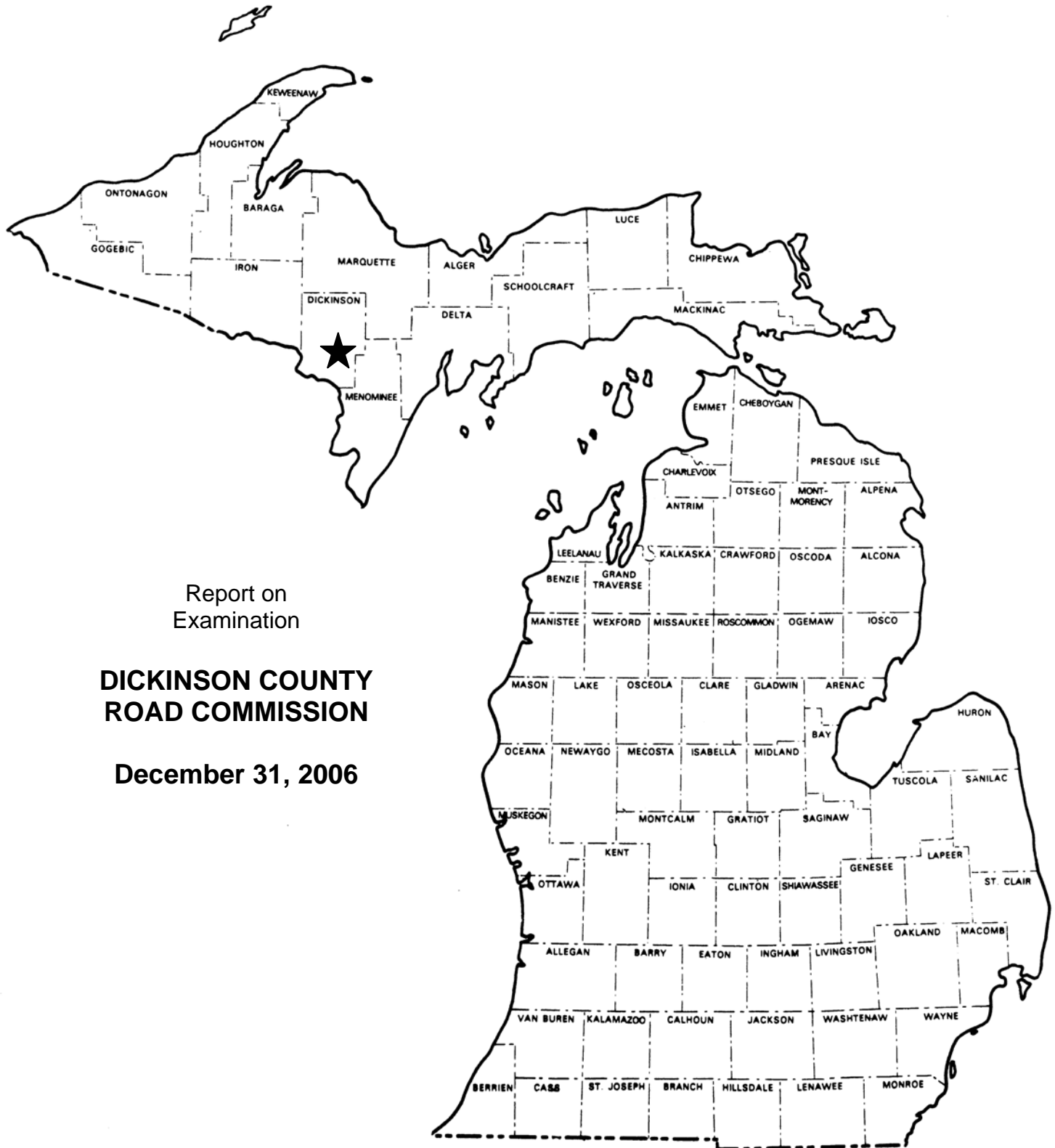


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**DICKINSON COUNTY
ROAD COMMISSION**

December 31, 2006

DICKINSON COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Charles Erickson
Chairperson

James G. Harris
Vice Chairperson

Ron Milbrath
Member

Tim Hammill
Managing Director

Sandra Lindholm
Director of Finance

Dave Pajula
Engineer

COUNTY POPULATION--2000
27,472

STATE EQUALIZED VALUATION--2006
\$960,813,902



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 30, 2007

Dickinson County Road Commission
Board of County Road Commissioners
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49801

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, Michigan, as of and for the year ended December 31, 2006, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dickinson County Road Commission as of December 31, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2007 on our consideration of the Dickinson County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 8 and the budget comparison information in Exhibits G and H are not part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Dickinson County Road Commission's basic financial statements. The accompanying supplementary and related information presented as Exhibits I through K is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

DICKINSON COUNTY ROAD COMMISSION

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DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Dickinson County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended December 31, 2006. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. The two government-wide statements report the Road Commission's net assets and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Reporting the Road Commission as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements mentioned above report the Road Commission's net assets and changes in them. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases and decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

Report of the Road Commission's Major Fund

The fund financial statements begin on page 11 and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operations Fund, in which all of the Road Commission's activities are accounted. The General Operations Fund is a governmental type fund.

- Governmental Fund--The governmental fund focuses on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Road Commission as a Whole

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets-net or related debt) are considered restricted.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net assets as of the year ended December 31, 2006, as follows:

	12/31/05 Governmental Activities	12/31/06 Governmental Activities	Variance
Current and Other Assets	\$ 933,410	\$ 860,255	\$ (73,155)
Net Capital Assets	<u>29,575,860</u>	<u>29,996,746</u>	<u>420,886</u>
Total Assets	<u>30,509,270</u>	<u>30,857,001</u>	<u>347,731</u>
Current Liabilities	298,303	356,057	57,754
Long-Term Liabilities	<u>1,095,903</u>	<u>755,620</u>	<u>(340,283)</u>
Total Liabilities	<u>1,394,206</u>	<u>1,111,677</u>	<u>(282,529)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	28,940,988	29,708,572	767,584
Restricted	<u>174,076</u>	<u>36,752</u>	<u>(137,324)</u>
Total Net Assets	<u><u>\$29,115,064</u></u>	<u><u>\$ 29,745,324</u></u>	<u><u>\$ 630,260</u></u>

The net assets increased by \$630,260 from the prior year. The invested in capital assets-net of related debt increased by \$767,584 and the restricted net assets decreased by \$137,324.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in net assets for the year ended December 31, 2006, as follows:

	<u>2005</u>	<u>2006</u>	<u>Difference</u>	<u>Percent</u>
Program Revenue				
Federal Grants	\$ 353,663	\$ 485,888	\$ 132,225	37.39%
State Grants	3,028,675	3,006,612	(22,063)	-0.73%
Contributions From Local Units	216,014	300,491	84,477	39.11%
Charges for Services	733,000	614,390	(118,610)	-16.18%
Investment Earnings	7,060	7,166	106	1.50%
General Revenue				
Gain on Equipment Disposal	<u>103,778</u>	<u></u>	<u>(103,778)</u>	<u>-100.00%</u>
Total Revenue	<u>4,442,190</u>	<u>4,414,547</u>	<u>(27,643)</u>	<u>-0.63%</u>
Expenses				
Primary Road				
Routine and Preventive Maintenance	938,002	634,592	(303,410)	-32.35%
Local Road				
Routine and Preventive Maintenance	818,589	876,688	58,099	7.10%
State Trunkline Maintenance	518,256	510,561	(7,695)	-1.48%
Private Driveway Plowing	3,748		(3,748)	-100.00%
Net Equipment Expense	19,650	(58,037)	(77,687)	-395.35%
Net Administrative Expense	306,711	282,312	(24,399)	-7.96%
Maintenance for Other Units		73,672	73,672	
Infrastructure Depreciation	1,436,067	1,432,616	(3,451)	-0.24%
Compensated Absences	(6,692)	8,973	15,665	-234.09%
Interest Expense	<u>37,956</u>	<u>22,909</u>	<u>(15,047)</u>	<u>-39.64%</u>
Total Expenses	<u>4,072,287</u>	<u>3,784,286</u>	<u>(288,001)</u>	<u>-7.07%</u>
Increase in Net Assets	<u>\$ 369,903</u>	<u>\$ 630,261</u>	<u>\$ 260,358</u>	<u>70.39%</u>

The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies, distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2006, the fund balance of the General Operations Fund decreased \$128,350 as compared to a decrease of \$277,929 in the fund balance for the year ended December 31, 2005. Total operating revenues were \$4,414,547, a decrease of \$27,643 as compared to last year. Total expenditures were \$4,568,408, a decrease of \$159,711 as compared to last year.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in the Operating Fund, as follows:

	12/31/05 Operating Fund	12/31/06 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Federal Aid	\$ 353,663	\$ 485,888	\$ 132,225	37.39%
State Aid	3,028,675	3,006,612	(22,063)	-0.73%
Contributions From Local Units	216,014	300,491	84,477	39.11%
Charges for Services	524,088	578,382	54,294	10.36%
Interest and Rents	7,060	7,166	106	1.50%
Other Revenue	312,690	36,008	(276,682)	-88.48%
Total Revenues	4,442,190	4,414,547	(27,643)	-0.62%
Expenditures				
Public Works	4,264,724	4,112,793	(151,931)	-3.56%
Capital Outlay	49,307	60,497	11,190	22.69%
Debt Service	414,088	395,118	(18,970)	-4.58%
Total Expenditures	4,728,119	4,568,408	(159,711)	-3.38%
Excess of Revenues Over (Under) Expenditures	(285,929)	(153,861)	132,068	-46.19%
Other Financing Sources				
Proceeds From Lease Purchase	8,000	25,511	17,511	218.89%
Total Other Financing Sources	8,000	25,511	17,511	218.89%
Excess of Revenues and Other Financing Sources Over Expenditures	(277,929)	(128,350)	149,579	-53.82%
Fund Balance--Beginning of Year	780,033	502,104	(277,929)	-35.63%
Fund Balance--End of Year	\$ 502,104	\$ 373,754	\$ (128,350)	-25.56%

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission's Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The original revenue budget for 2006 was \$4,932,443, which was \$484,936 less than the final amended budget revenue received for the year. This was due, in large part, to the Road Commission receiving less funds from certain Federal aid projects during the year than originally planned.

The Road Commission's original expenditures were projected at \$4,815,523, which was \$237,712 less than the final amended budget expenditures. This was primarily due to the Road Commission having four federal aid projects being removed from the 2006 budget.

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

As of December 31, 2006, the Road Commission had \$29,996,746 invested in net capital assets, as follows:

	<u>12/31/05</u>	<u>12/31/06</u>	<u>Total Percentage Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 205,915	\$ 205,915	0.00%
Infrastructure--Land and Improvements	<u>11,676,525</u>	<u>12,494,160</u>	<u>7.00%</u>
Subtotal	<u>11,882,440</u>	<u>12,700,075</u>	<u>6.88%</u>
Capital Assets Being Depreciated			
Buildings	1,499,423	1,499,423	0.00%
Road Equipment	5,382,478	5,425,484	0.80%
Shop Equipment	169,620	186,302	9.83%
Office Equipment	74,035	74,035	0.00%
Engineer's Equipment	55,092	55,092	0.00%
Infrastructure--Bridges	3,071,447	3,083,681	0.40%
Infrastructure--Roads	<u>31,279,735</u>	<u>26,857,538</u>	<u>-16.47%</u>
Subtotal	<u>41,531,830</u>	<u>37,181,555</u>	<u>-10.47%</u>
Total Capital Assets	53,414,270	49,881,630	-6.61%
Total Accumulated Depreciation	<u>(23,838,410)</u>	<u>(19,884,884)</u>	<u>-16.58%</u>
Total Net Capital Assets	<u><u>\$ 29,575,860</u></u>	<u><u>\$29,996,746</u></u>	<u><u>1.42%</u></u>

The Road Commission reported additions to the infrastructure and related assets during the current year in the amount of \$2,112,568 as follows:

Construction and Reconstruction of Bridges	\$ 12,234
Various Resurfacing Projects and Related Land/Right-of-Way	2,039,837
Road Equipment	43,815
Shop Equipment	<u>16,682</u>
Total Additions	<u><u>\$ 2,112,568</u></u>

DICKINSON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

The Road Commission currently has long-term debt in the amount of \$755,620, a net decrease of \$207,280 from the prior year. The long-term debt represents Michigan Transportation Fund Notes Payable, bonds, ten lease-purchase agreements and compensated absences payable at December 31, 2006.

More detailed information about the Road Commission's long-term liabilities for vested employee benefits is presented in Note G to the financial statements.

Economic Factors and Next Year's Budget

The board of county road commissioners considered many factor when setting the fiscal year 2007 budget. One of these factors continues to be the economy. Approximately 64% of its revenue was collected from the fuel tax in 2006. The downturn in less fuel consumption adversely effects the amount of MTF tax to be distributed. The Road Commission received approximately 4.75% of its revenues from township contributions during 2006, 15% from State and Federal aid, and 12% from State Trunkline.

During 2007, we expect to see an increase in Federal aid projects due to the Jobs Today Program which will move a number of projects earmarked for future years into 2007. The cash match to these projects will be paid by the State due to the Jobs Today Match program. The budgeted revenues in 2007 is \$6,483,005 and projected 2007 expenditures are \$6,479,793.

The board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Dickinson County's transportation system; therefore, the board attempts to spend the public's money wisely and equitably considering the best interest of the citizens of Dickinson County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Dickinson County Road Commission's administrative office at: P.O. Box 519, Iron Mountain, MI, 49801.

**DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2006**

EXHIBIT A

ASSETS

Cash	\$ 5,984
Accounts Receivable	
State--Trunkline Maintenance	67,085
Michigan Transportation Fund	435,335
State--Other	32,872
Due From Other Units of Government	48,122
Due From Primary Government	3,928
Inventories	
Road Materials	183,016
Equipment Parts and Materials	83,913
Capital Assets (Net of Accumulated Depreciation)	<u>29,996,746</u>
Total Assets	<u>30,857,001</u>

LIABILITIES

Current Liabilities	
Accounts Payable	323,004
Due to State of Michigan	1,760
Accrued Liabilities	31,293
Noncurrent Liabilities	
Advance From State	130,445
Installment Purchase Agreements Payable--Due in One Year	200,543
Installment Purchase Agreements Payable--Due in More Than One Year	87,631
Vested Employee Benefits Payable	<u>337,001</u>
Total Liabilities	<u>1,111,677</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	29,708,572
Restricted	<u>36,752</u>
Total Net Assets	<u>\$ 29,745,324</u>

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006

EXHIBIT B

Program Expenses	
Primary Road--Routine and Preventive Maintenance	\$ 634,592
Local Road--Routine and Preventive Maintenance	876,688
State Trunkline Maintenance	510,561
Net Equipment Expense	(58,037)
Net Administrative Expense	282,312
Maintenance for Other Units	73,672
Infrastructure Depreciation	1,432,616
Compensated Absences	8,973
Interest Expense	<u>22,909</u>
Total Program Expenses	<u>3,784,286</u>
Program Revenue	
Charges for Services	614,390
Operating Grants and Contributions	
Michigan Transportation Funds	2,824,266
Investment Earnings	7,166
Capital Grants and Contributions	
Federal Grants	485,888
State Grants	182,346
Contributions	<u>300,491</u>
Total Program Revenue	<u>4,414,547</u>
Change in Net Assets	<u>630,261</u>
Net Assets	
Beginning of Year	<u>29,115,063</u>
End of Year	<u><u>\$ 29,745,324</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2006**

EXHIBIT C

	<u>GOVERNMENTAL FUND TYPE</u>
	<u>General Operating Fund</u>
<u>ASSETS</u>	
Cash	\$ 5,984
Due From State	535,292
Due From Cities	48,122
Due From Primary Government	3,928
Inventories	
Road Materials	183,016
Equipment Parts and Materials	<u>83,913</u>
Total Assets	<u><u>\$ 860,255</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 323,004
Accrued Liabilities	31,293
Due to State	1,760
Advances	
State	<u>130,445</u>
Total Liabilities	<u>486,502</u>
Fund Equities	
Fund Balance	
Inventory	266,929
Unreserved and Undesignated	<u>106,824</u>
Total Fund Equities	<u>373,753</u>
Total Liabilities and Fund Equities	<u><u>\$ 860,255</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND
BALANCE TO THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2006**

EXHIBIT D

Total Governmental Fund Balance	\$ 373,753
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,996,746
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Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	<u>(625,175)</u>
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Net Assets of Governmental Activities	<u><u>\$29,745,324</u></u>
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The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
For the Year Ended December 31, 2006**

EXHIBIT E

	<u>Operating Fund</u>
Revenues	
Federal Aid	\$ 485,888
State Aid	3,006,612
Contributions From Local Units	300,491
Charges for Services	578,382
Interest and Rents	7,166
Other Revenue	<u>36,008</u>
Total Revenues	<u>4,414,547</u>
Expenditures	
Public Works	4,112,793
Capital Outlay	60,497
Debt Service	<u>395,118</u>
Total Expenditures	<u>4,568,408</u>
Excess of Revenues Over (Under) Expenditures	<u>(153,861)</u>
Other Financing Sources	
Proceeds From Lease Purchase	<u>25,511</u>
Total Other Financing Sources	<u>25,511</u>
Excess of Revenues and Other Financing Sources Over Expenditures	(128,350)
Fund Balance--January 1, 2006	<u>502,103</u>
Fund Balance--December 31, 2006	<u><u>\$ 373,753</u></u>

The Notes to Financial Statements are an integral part of this statement.

**DICKINSON COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2006**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds	\$ (128,350)
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Amounts reported for governmental activities in the statement are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	420,886
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Lease proceeds provide current financial resources to governmental funds, but entering into lease agreements increases long-term liabilities in the Statement of Net Assets. Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Assets.	346,698
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences)	<u>(8,973)</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 630,261</u></u>
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The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Dickinson County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by a 3-member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the approval of the county board of commissioners; and property taxes would be levied under the taxing authority of the county, as approved by the county electors. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Dickinson County Road Commission, a discretely presented component unit of Dickinson County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Dickinson County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

When both restricted and restricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan Transportation Funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan Transportation Funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Bank Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

Inventories are priced at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Dickinson County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Dickinson County Road Commission has capitalized the current year's infrastructure, as required by GASB Statement No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission has also retroactively capitalized the major infrastructure assets, as permitted by GASB Statement No. 34, which is included in the beginning balance of the net assets and capital asset.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Primary Government

At December 31, 2006, the primary government (Dickinson County) owed the Road Commission \$3,928 for services provided to the County Park and Fumee Lake. The amount was received on January 12, 2007.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

NOTE C--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the county road fund. Pursuant to the act, the Road Commission's chief fiscal officer (office manager) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and, subsequently, adopts an operating budget. The board has authorized the chief fiscal officer to amend the Road Commission's budget when necessary, without increasing the overall budget, by transferring funds between expenditure cost centers. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET CASH AND INVESTMENTS

MCL 129.91 authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated two banks for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 5,784
Petty Cash and Cash on Hand	<u>200</u>
Total	<u>\$ 5,984</u>

The bank balance of the primary government's deposits is \$19,687, of which \$19,687 is covered by Federal depository insurance.

There were no investments during 2006.

NOTE E--DEFERRED COMPENSATION PLAN

Some employees of the Dickinson County Road Commission are participants in a deferred compensation plan offered by the Dickinson County Board of Commissioners. The plan, created in accordance with the Internal Revenue Code, Section 457, is available to all Dickinson County employees and elected officials and permits them to defer a portion of their current salary until the employee's termination, retirement, death or unforeseeable emergency.

The plan is administered by the National Association of Counties (NACo) through the Public Employees' Benefit Services Corporation (PEBSCO). NACo, as plan administrator, agrees to hold harmless and indemnify the county, its appointed and elected officers and participating employees from any loss resulting from NACo or its agent's failure to perform its duties and services pursuant to the NACo Program.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE E--DEFERRED COMPENSATION PLAN (Continued)

Effective January 1, 1997, the assets of the plans were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters.

NOTE F--CAPITAL ASSETS

Following is a summary of the changes in capital assets:

	Account Balances 01/01/06	Additions	Deductions	Account Balances 12/31/06
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 205,915			\$ 205,915
Infrastructure Land Improvements	11,676,525	\$ 817,635		12,494,160
Subtotal	11,882,440	817,635	\$ -	12,700,075
Capital Assets Being Depreciated				
Buildings	1,499,423			1,499,423
Road Equipment	5,382,478	43,815	809	5,425,484
Shop Equipment	169,620	16,682		186,302
Office Equipment	74,035			74,035
Engineers' Equipment	55,092			55,092
Infrastructure--Bridges	3,071,447	12,234		3,083,681
Infrastructure--Roads	31,279,735	1,222,202	5,644,399	26,857,538
Total	41,531,830	1,294,933	5,645,208	37,181,555
Less Accumulated Depreciation				
Buildings	514,951	38,231		553,182
Road Equipment	4,788,825	209,327	809	4,997,343
Shop Equipment	106,073	13,402		119,475
Office Equipment	66,756	2,064		68,820
Engineers' Equipment	51,375	1,743		53,118
Infrastructure--Bridges	875,024	68,871		943,895
Infrastructure--Roads	17,435,406	1,358,044	5,644,399	13,149,051
Total	23,838,410	1,691,682	5,645,208	19,884,884
Net Capital Assets Being Depreciated	17,693,420	1,294,933	1,691,682	17,296,671
Total Net Capital Assets	\$29,575,860	\$2,112,568	\$1,691,682	\$29,996,746

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct Equipment	\$ 209,327
Indirect Equipment	51,633
Net Administrative Expense	
Office Equipment	3,807
Infrastructure Depreciation	<u>1,426,915</u>
Total Depreciation Expense	<u>\$ 1,691,682</u>

NOTE G--LONG-TERM DEBT

The changes in long-term debt of the Road Commission may be summarized as follows:

	<u>Balance</u> <u>01/01/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>12/31/06</u>	<u>Due in</u> <u>One Year</u>
Equipment Lease--Purchase Agreements				
Caterpillar Financial Services				
September 2002--Lease	\$ 25,326	\$ (14,967)	\$ 10,359	\$ 10,359
September 2002--Lease	67,274	(37,793)	29,481	29,481
September 2002--Lease	77,697	(43,649)	34,048	34,048
November 2003--Lease	124,769	(42,433)	82,336	44,162
Deere Credit Services				
May 2002 Lease	40,345	(30,018)	10,327	10,327
Daimler Chrysler Services North America LLC				
May 2003--Lease	68,962	(28,765)	40,197	29,944
June 2003--Lease	81,915	(32,934)	48,981	34,284
First National Bank of Norway				
February 2001--Lease	9,811	(8,377)	1,434	1,434
February 2001--Lease	11,596	(10,684)	912	912
Canon Financial				
February 2005--Lease	7,177	(1,025)	6,152	1,174
GMAC		25,511		
September 2006--Lease	-	(1,564)	23,947	4,418
Michigan Transportation Fund Notes Payable	120,000	(120,000)	-	
Vested Employee Benefits				
Vacation Benefits	85,220	1,077	86,297	
Sick Leave Benefits	<u>242,808</u>	<u>7,896</u>	<u>250,704</u>	
Totals	<u>\$962,900</u>	<u>\$ (337,725)</u>	<u>\$ 625,175</u>	<u>\$ 200,543</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Equipment Lease-Purchase and Loan Agreements

The annual requirements to meet the monthly installment payments on various pieces of equipment acquired by lease-purchase or loan agreements are as follows:

September 2002 Lease-Purchase--Caterpillar D3 Dozer

Terms: 60 monthly installments of \$1,317 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$70,629	2007	<u>\$10,359</u>	<u>\$ 175</u>	<u>\$10,534</u>
			<u>\$10,359</u>	<u>\$ 175</u>	<u>\$10,534</u>

September 2002 Lease-Purchase--Caterpillar D6Dozer

Terms: 60 monthly installments of \$3,337 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$179,009	2007	<u>\$ 29,481</u>	<u>\$ 556</u>	<u>\$30,037</u>
			<u>\$ 29,481</u>	<u>\$ 556</u>	<u>\$30,037</u>

September 2002 Lease-Purchase--Caterpillar 143H Motor Grader

Terms: 60 monthly installments of \$3,854 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/02	\$206,746	2007	<u>\$34,048</u>	<u>\$ 641</u>	<u>\$34,689</u>
			<u>\$34,048</u>	<u>\$ 641</u>	<u>\$34,689</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

November 2003 Lease-Purchase--Caterpillar 972G Wheel Loader

Terms: 60 monthly installments of \$3,888 at 3.86% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
11/03	\$ 211,800	2007	\$ 44,162	\$ 2,490	\$ 46,652
		2008	<u>38,174</u>	<u>704</u>	<u>38,878</u>
			<u>\$ 82,336</u>	<u>\$ 3,194</u>	<u>\$ 85,530</u>

Deere Credit Leasing

May 2002 Lease-Purchase--John Deere 772CH Motor Grader

Terms: 60 monthly installments of \$2,607 at 4.75% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/02	\$ 139,000	2007	\$ 10,327	\$ 102	\$ 10,429
			<u>\$ 10,327</u>	<u>\$ 102</u>	<u>\$ 10,429</u>

Daimler Chrysler Services

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,584 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
05/03	\$ 140,723	2007	\$ 29,944	\$ 1,387	\$ 31,331
		2008	<u>10,253</u>	<u>153</u>	<u>10,406</u>
			<u>\$ 40,197</u>	<u>\$ 1,540</u>	<u>\$ 41,737</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

May 2003 Lease-Purchase--Quad Axle Dump Truck

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
06/03	\$161,658	2007	\$34,284	\$ 1,343	\$ 35,627
		2008	<u>14,697</u>	<u>148</u>	<u>14,845</u>
			<u>\$48,981</u>	<u>\$ 1,491</u>	<u>\$ 50,472</u>

First National Bank of Norway

February 2004 Lease-Purchase--Chevrolet Silverado ¾ ton Truck

Terms: 36 monthly installments of \$721 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/04	\$ 24,214	2007	<u>\$1,434</u>	<u>\$ 8</u>	<u>\$ 1,442</u>
			<u>\$1,434</u>	<u>\$ 8</u>	<u>\$ 1,442</u>

February 2004 Lease-Purchase--Chevrolet Tahoe

Terms: 36 monthly installments of \$916 at 4.5% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/04	\$ 30,761	2007	<u>\$ 912</u>	<u>\$ 4</u>	<u>\$ 916</u>
			<u>\$ 912</u>	<u>\$ 4</u>	<u>\$ 916</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Canon Financial

February 2005 Lease-Purchase--Copy Machine

Terms: 60 monthly installments of \$2,969 at 4.02% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
02/05	\$ 8,000	2007	\$ 1,174	\$ 773	\$1,947
		2008	1,346	601	1,947
		2009	1,543	404	1,947
		2010	2,089	24	2,113
			<u>\$ 6,152</u>	<u>\$ 1,802</u>	<u>\$7,954</u>

GMAC

September 2006 Lease-Purchase--2007 Silverado

Terms: 60 monthly installments of \$512.66 at 7.90% interest, secured by the equipment.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Maturity Year</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Payable if Held to Maturity</u>	<u>Total</u>
09/06	\$ 25,510	2007	\$ 4,418	\$ 1,734	\$ 6,152
		2008	4,780	1,372	6,152
		2009	5,171	981	6,152
		2009	5,595	557	6,152
		2010	3,983	119	4,102
			<u>\$ 23,947</u>	<u>\$ 4,763</u>	<u>\$28,710</u>

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT (Continued)

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary Termination--Salaried employees will be paid 50% of their accumulated sick leave, and hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or Death--For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employee's beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

NOTE H--EMPLOYEES' RETIREMENT SYSTEM

Plan Description

Description of Plan and Plan Assets

The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended, (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way Street, Lansing, Michigan 48917.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE H--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Funding Policy

Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2005 was 13.68% and 0% of covered payroll for the General-Other and General-Road Commission Groups.

Annual Pension Cost

During the calendar year ended December 31, 2005, the Road Commission's contributions totaling \$180,520 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003. The employee contribution of \$76 was also paid by one employee, in accordance with the contribution requirements. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 168,652	100%	\$0
2004	170,605	100%	\$0
2005	180,520	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/03	\$ 5,164,685	\$ 6,550,361	\$ 1,385,676	79%	\$ 1,317,501	105%
12/31/04	5,320,699	6,955,360	1,634,661	76%	1,341,558	122%
12/31/05	5,457,432	7,194,893	1,737,461	76%	1,290,809	135%

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--POST-EMPLOYMENT BENEFITS

Health Care Insurance Benefits

In addition to the pension benefits described in Note H, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse to age 70, with the total cost of the plan paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2006, 13 retirees were eligible for this benefit at a total cost of approximately \$145,655.

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2006, 5 retirees were eligible for this benefit at a total cost of approximately \$240.

NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--RISK MANAGEMENT (Continued)

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE K--GUST K. NEWBERG CHARITABLE TRUSTS

The Dickinson County Road Commission has been named as a 15% beneficiary in the \$5,000,000 "Gust K. Newberg Charitable Trust." The trust agreement provides for named trustees to hold, invest and reinvest the corpus of the trust and collect and receive the income, thereof, and distribute the net income, thereof, to the beneficiaries at least annually.

In 2006, the Road Commission received four quarterly distributions of trust income for the period September 1, 2005 to October 31, 2006. The Road Commission's policy is to record revenues from the trust on the cash basis, which was \$35,911 during 2006.

In addition to the above trust provisions, Mr. Newberg also provided that upon the death of his wife, Penny M. Newberg, there should be paid out of the trust, created for Mrs. Newberg, a sum of \$500,000 to the Dickinson County Road Commission.

NOTE L--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$352,597 for contracted projects and \$133,391 for one negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission. Since the negotiated expenditures were under \$500,000, a single audit was not required.

**DICKINSON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
For the Year Ended December 31, 2006**

EXHIBIT G

	Original Amended Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Federal Aid				
Surface Transportation Program	\$ 334,760	\$ 252,806	\$ 252,840	\$ 34
Economic Development D Funds	108,840	115,177	115,178	1
High Priority	204,000	-	-	-
Safety	293,021	114,811	117,870	3,059
Enhancement	200,000			-
State Aid				
Michigan Transportation				
Engineering	10,000	10,000	10,000	-
Primary Road	2,009,523	1,902,945	1,902,945	-
Local Road	718,491	709,941	709,942	1
Primary Urban Road	103,964	128,253	128,254	1
Local Urban Road	53,893	59,239	59,239	-
Snow Removal	13,200	13,886	13,886	-
Economic Development				
Rural Primary (D)	66,000	66,935	59,446	(7,489)
Forest Funds (E)	122,902	122,900	122,900	-
Contributions--Local Units				
Townships	-	214,006	210,946	(3,060)
Cities and Villages	7,700	89,545	89,545	-
Charges for Services				
State Trunkline Maintenance	610,000	520,075	520,075	-
State Trunkline Non-Maintenance	17,000	21,293	21,294	1
Private Drive Snow Removal	8,000	33,683	33,683	-
Salvage Sales	1,500	3,330	3,330	-
Interest and Rents				
Interest Earned	4,000	5,569	5,571	2
Rent and Royalties	-	1,595	1,595	-
Other Revenue				
Contribution From Private Sources	45,649	35,911	36,008	97
Reimbursements	-	97	-	(97)
Total Operating Revenue	4,932,443	4,421,997	4,414,547	(7,450)
Other Financing Sources				
Proceeds From Installment Purchase Agreement	-	25,510	25,511	1
Total Other Financing Sources	-	25,510	25,511	1
Total Operating Revenue and Other Financing Sources	4,932,443	4,447,507	<u>\$ 4,440,058</u>	<u>\$ (7,449)</u>
Fund Balance--January 1, 2006	502,104	502,104		
Total Budget	<u>\$ 5,434,547</u>	<u>\$ 4,949,611</u>		

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
For the Year Ended December 31, 2006

EXHIBIT H

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Construction/Capacity Improvements	\$ 250,000	\$ 5,030	\$ 5,030	-
Preservation/Structural Improvements	1,116,836	1,639,658	1,630,280	\$ 9,378
Routine and Preventive Maintenance	750,000	634,592	634,592	-
Local Road				
Construction/Capacity Improvements	141,441	1,085	1,085	-
Preservation/Structural Improvements	-	403,451	403,442	9
Routine and Preventive Maintenance	800,000	876,688	876,688	-
Primary Road Structure				
Preservation/Structural Improvements	2,000	11,812	11,811	1
Routine and Preventive Maintenance	2,000	-	-	-
Local Road Structure				
Preservation/Structural Improvements	2,000	425	422	3
Routine and Preventive Maintenance	2,000	-	-	-
State Trunkline Maintenance	450,000	489,268	489,267	1
State Trunkline Non-Maintenance	10,000	21,295	21,294	1
Private Snow Plowing	6,000	-	-	-
Equipment Expense--Net	(190,000)	(58,037)		
Direct			\$ 722,054	
Indirect			290,903	
Operating			304,436	
Less: Equipment Rentals			<u>(1,375,430)</u>	(58,037)
Distributive Expense	1,155,735	-		-
Administrative Expense--Net	279,700	282,312		
Administrative Expense			334,737	
Less: Handling Charges			-	
Overhead--State			(49,988)	
Overhead--State Non-Maintenance			-	
Overhead--Other			(2,345)	
Purchase Discounts			<u>(92)</u>	282,312
Non-Road Project	31,083	73,679	73,672	7
Capital Outlay--Net	(386,340)	(198,566)		
Capital Outlay			60,497	
Less: Depreciation Credits			(259,065)	
Equipment Retirements			<u>-</u>	(198,568)
Debt Service				
Principal Payments	370,486	372,210	372,209	1
Interest Expense	22,582	22,909	22,909	-
Total Expenditures	4,815,523	4,577,811	<u>\$ 4,568,408</u>	<u>\$ 9,403</u>
Fund Balance--December 31, 2006	619,024	371,800		
Total Budget	<u>\$ 5,434,547</u>	<u>\$ 4,949,611</u>		

The Notes to Financial Statements are an integral part of this statement.

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2006

EXHIBIT I

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$2,708,578	\$ 999,869	\$706,100	\$4,414,547
Total Expenditures	2,532,513	1,363,306	672,589	4,568,408
Excess of Revenues Over (Under) Expenditures	176,065	(363,437)	33,511	(153,861)
Other Financing Sources (Uses)				
Proceeds From Lease Purchase	25,511			25,511
Optional Transfers	(611,550)	611,550		-
Total Other Financing Sources (Uses)	(586,039)	611,550	-	25,511
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	(409,974)	248,113	33,511	(128,350)
Fund Balance--January 1, 2006	442,063	8,692	51,348	502,103
Fund Balance--December 31, 2006	\$ 32,089	\$ 256,805	\$ 84,859	\$ 373,753

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2006

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Federal Aid				
Surface Transportation Program	\$ 252,840			\$ 252,840
Economic Development D Funds	115,178			115,178
Safety	114,811	\$ 3,059		117,870
State Aid				
Michigan Transportation				
Engineering	7,300	2,700		10,000
Allocation	1,902,945	709,942		2,612,887
Urban	128,254	59,239		187,493
Snow Removal		13,886		13,886
Economic Development				
Rural Primary (D)	59,446			59,446
Forest (E)	122,900	-		122,900
Contributions--Local Units				
Townships		210,946		210,946
Cities and Villages		-	\$ 89,545	89,545
Charges for Services				
State Trunkline Maintenance			520,075	520,075
State Trunkline Non-Maintenance			21,294	21,294
Private Drive Snow Removal			33,683	33,683
Salvage Sales			3,330	3,330
Interest and Rents				
Interest Earned	4,904	97	570	5,571
Rents and Royalties			1,595	1,595
Other Revenue				
Contribution From Private Sources		-	36,008	36,008
Total Operating Revenue	2,708,578	999,869	706,100	4,414,547
Other Financing Sources				
Proceeds From Lease Installment	25,511			25,511
Total Other Financing Sources	25,511	-	-	25,511
Total Revenue and Other Financing Sources	\$ 2,734,089	\$ 999,869	\$ 706,100	\$ 4,440,058

DICKINSON COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2006

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Construction/Capacity Improvements	\$ 5,030			\$ 5,030
Preservation/Structural Improvements	1,630,280			1,630,280
Routine and Preventive Maintenance	634,592			634,592
Local Road				
Construction/Capacity Improvements		\$ 1,085		1,085
Preservation/Structural Improvements		403,442		403,442
Routine and Preventive Maintenance		876,688		876,688
Primary Road Structures				
Preservation/Structural Improvements	11,811			11,811
Local Road Structures				
Preservation/Structural Improvements		422		422
State Trunkline Maintenance			\$ 489,267	489,267
State Trunkline Non-Maintenance			21,294	21,294
Equipment Expense--Net (Per Exhibit H)	(27,800)	(19,871)	(10,366)	(58,037)
Administrative Expense--Net (Per Exhibit H)	180,772	101,540		282,312
Non-Road Project			73,672	73,672
Capital Outlay--Net (Per Exhibit H)	(30,457)		(168,111)	(198,568)
Debt Service				
Principal Payments	122,235		249,974	372,209
Interest Payments	6,050		16,859	22,909
Total Expenditures	\$ 2,532,513	\$ 1,363,306	\$ 672,589	\$ 4,568,408



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 30, 2007

Dickinson County Road Commission
Board of County Road Commissioners
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49801

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance
With Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Dickinson County Road Commission, a component unit of Dickinson County, as of and for the year ended December 31, 2006, and have issued our report thereon dated March 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered the Dickinson County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dickinson County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dickinson County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters--As part of obtaining reasonable assurance about whether the Dickinson County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Dickinson County Board of Road Commissioners, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division